

production like wages and interest, lands may be continuously worked which yield no rent; and, as a matter of fact, it is probable that the area of rentless lands under exploitation on the globe is greater than that of those yielding rent. For superior lands, the *economic* rent—as distinguished from the popular term rent—which generally includes interest and often wages too—is easily calculated from Ricardo's well-proved Law of Rent. (3) Speculation or forestalling, as usually practised, may be defined as the legal withholding from use of needed superior lands for individual profit, thus forcing part of the nation's labor and capital to resort to inferior lands where they consequently produce less wealth. This also raises the price of the output, for it artificially lowers the quality of marginal land (4) whose cost of production fixes the market price of the whole output of the community in question.

While land speculation only indirectly affects the quantity and price of commodities, by lowering the quality of marginal land, land monopoly is able not only to control the quantity but also to fix the price of its output directly. If the monopoly be local, it can only fix prices as high as those of an imported product; if it is complete, it generally fixes its price at "what the traffic will bear," or where it will produce the maximum continuous income. As examples of practically complete monopolies may be mentioned: the diamond trust of Africa, the anthracite trust of Pennsylvania and the coffee trust of Brazil.

The state is a silent partner in all productive enterprises as it furnishes more or less of its land, its capital and its labor to assist every one. Accordingly taxes,—the share of wealth apportioned to the state—may be classed under the heading of wages, interest or rent, as they represent a payment made for the use of the labor, the capital, or the land of the state. Any general tax levied by the state on private capital or labor is bound to increase the essential payments for the sustenance of capital and labor (interest and wages) and, therefore, to increase the price of commodities that is set by the cost for capital and labor on marginal land. But a tax on the third, or residual item in wealth distribution—*rent*—cannot raise prices, because rent is not a factor in price-fixing, marginal land being rentless. An increased tax on rent means, then, that the state gets more and the landlord less; while the increased tax on either interest or wages means, finally, its shifting to consumers in the form of higher prices for commodities.

(To be continued)

REFERENCES

1.—"Capital" by Karl Marx. English trans. of E. Unterman, publ. by C. H. Kerr & Co., Chicago, Ill., 1910.

2.—J. E. Symes, in Chaps. 1 and 2 of his "Political Economy" thus defines these terms: "*Land*" includes such material gifts of nature as may be monopolized; *Labor* includes all manual and mental human exertions used to produce wealth; *Capital* includes such material products of labor as are devoted to the production of other objects

of desire; *Wealth* includes all the material products of human labor which arouse desire. Assuming free competitive conditions, an *Wages* is the share of wealth secured by laborers, *Interest* is the share secured by capitalists, and *Rent* is the share secured by the proprietor of natural objects and forces."

3.—Symes ("Political Economy," 29) gives: "The normal rent of any land is got by deducting the produce of land on the margin of cultivation from the produce of the land in question."

4.—Marginal land may be defined as the leanest land that has to be worked to supply the current demands for its product. It is necessarily rentless and its expenditure for labor and capital fixes the price of the commodity yielded. Marginal land constantly fluctuates in quality; *naturally* as the current demand varies and *artificially* when affected by the operations of land speculators and monopolists.

—ROBERT BRUCE BRINSMAN

Economic Law as Expounded by Henry George*

PRIZE WINNING ESSAY BY HERMES ESTELLE
JOHNSON, WADLEIGH HIGH SCHOOL

PROGRESS and poverty, seemingly inseparable companions of civilization, go hand in hand in every country of the world which has shown any sign of material progress. Wherever progress is, poverty is sure to follow. In communities where material progress has hardly commenced; in communities where no class of people live luxuriously; in communities where the scientific appliances which simplify labor have not yet been introduced, there is no poverty. But in more advanced countries where wealth is abundant, and where there are magnificent churches and mansions, there are people who suffer from dire poverty; there are almshouses, there are prisons, there are tramps. There must be some fundamental cause for the fact that poverty is engendered by progress. This cause is clearly explained by Henry George in his book "Progress and Poverty."

The cause that produces poverty amid advancing wealth is the tendency of wages to a minimum. Therefore, to find a solution to the problem of poverty, we must first understand why in spite of increased productive power wages tend to a minimum which will give but a bare subsistence. Henry George endeavors to place the solution to this problem within our apprehension by proving that wages are not drawn from pre-existing capital as the current "wages fund" doctrine fallaciously teaches, but are produced by labor itself. Carefully paving the ground before him with substantial reasoning, Henry George, the Socrates of the nineteenth century, shows by progressing from the simple, original state of things to the present day complicated methods that wages are the produce of labor. He also conclusively proves that the laborers are

* We have selected this essay for publication, out of the sixteen winning prize essays in the contest described elsewhere in this issue, apart from its intrinsic merit because the writer has successfully overcome two handicaps; girls are not taught economics as thoroughly as boys, and the writer is a colored girl.—Editor LAND AND FREEDOM

not maintained by capital but receive their wages and subsistence from the produce of their labor.

One may then say that if capital does not provide labor with wages and maintenance, what then is its function? Its function is to increase the wealth-producing power of labor by enabling it to avail itself of the productive forces of nature. It is the tool in the handle of labor. It has been observed that where capital is most abundant, wages are lowest. The current doctrine teaches that the reason for this fact is increasing population, maintaining that wages depend upon the ratio between the number of laborers, and the amount of capital devoted to their employment. Therefore, an increase in the number of laborers necessitates a decrease in wages. Regarding as valid the preceding statement, and the Malthusian theory which says that population tends to increase with greater rapidity than subsistence, the current doctrine maintains that in spite of greater productive power, increased population results in lower wages.

To disprove the current doctrine, Henry George disproves the Malthusian theory, showing wherein it is fallacious. He asserts that in a given state of civilization a greater number of people can collectively be better provided for than a smaller; that the injustice of society is the cause of the want and misery which is attributed to overpopulation; that increasing population brings with it increased productive power; and, that in a state of equality, increased population would tend to make every individual richer instead of poorer. Having shown the invalidity of the Malthusian theory, and having previously proven that wages are not drawn from capital, Henry George, by dint of his Socratic reasoning, has completely disproved the current doctrine.

But the disproof of this doctrine does not tell us what produces poverty amid advancing wealth. We must now make a careful study of the laws of distribution to see if they will bring us nearer to the solution of our problem. Having narrowed the field of inquiry by proving that the solution is not to be found in the laws which bound the production of wealth, we must seek it in the laws that govern distribution.

The laws governing the distribution of wealth are those of rent, wages, and interest. The three factors of production are land, labor, and capital. Rent, which is the return to land, depends upon the margin of cultivation, rising as it falls, and falling as it rises. By this we mean that rent is determined by the excess of its produce over that which the same application can secure from the least productive land in use. Wages, which are the return on the produce of labor, depend upon the margin of cultivation, falling as it falls, and rising as it rises. In other words, wages depend upon the produce which labor can obtain at the highest point of natural productiveness open to it, without the payment of rent. Interest is the return on capital, and depends upon the margin of cultivation, falling as it falls and rising as it rises. By this last state-

ment we mean that the relation between wages and interest is determined by the average power of increase which attaches to capital from its use in reproductive modes. As rent rises, interest, like wages, will fall, or will be determined by the margin of cultivation.

These laws of distribution are affected to a great extent by material progress. Increase of population which is an element of material progress tends to increase rent, and decreases wages and interest. Material progress, in the form of improvement in the arts of production, increases production. But the benefits of improvements are ultimately monopolized by the land owners.

Having made a careful study of all these laws, conditions, and situations, Henry George solves his problem, and informs us that the reason for the unequal distribution of wealth is inequality in ownership of land. After depriving man of land, what has he?—Nothing. Absolutely nothing. Land enables man to subsist, land furnishes him with habitation, land satisfies his desires. It is to land that he must apply labor and capital if he expects the gratification of his wishes. Hence, when land is monopolized, how can wages but tend to a minimum which will give but a bare subsistence? How can the masses subsist if a few people check production by monopolizing the land and thus debarring applications of labor and capital?

There can be no perpetual extirpation of the slums and the desperately poor classes until all land is open to applications of labor and capital. Thousands of laborers stand idle, thousands of people suffer and even die of poverty, while a few hundred are lapped in luxury. Was this state of affairs pre-ordained by the Creator? Is this condition due to the niggardliness of nature? Henry George answers these questions in the negative. Private ownership of land is a condition created by man.

Many remedies have been proposed to check the increase of poverty amid advancing wealth and to curb and finally eradicate private ownership of land. Henry George shows the insufficiency of these remedies, and recommends a single tax on land values.

Henry George's proposal is to shift taxes from buildings and improvements to land values. In the United States there are income taxes, license taxes, inheritance taxes, and many others which tend to curtail production. Take, for example, a manufacturer who has to pay an income tax, a property tax, and a tax on the commodities he produces. The accumulation of these taxes tends to deter him from producing an increased amount of commodities. Thus, production is curtailed. But, if a single tax were to be placed on land values, in lieu of curbing production, it would stimulate production by penalizing idle land. One can readily see that if a tax were placed on idle land as well as land which is utilized, more land would be brought into use, because the owner would have to pay the tax whether he was utilizing his property or not.

The Single Tax, which is as expedient as it is just would

require no laborious effort to put it into effect. On going into effect, the Single Tax would decrease unemployment because builders and artisans would be called upon to build up idle land. Thus, if there is more employment, poverty will be lessened. The decrease in poverty will in turn result in a higher standard of living. It can be clearly seen that a single tax on land value would be very advantageous and beneficial to the country.

It is sincerely hoped that it will not be far in the future when poverty shall be extirpated, land shall in effect be public property, unemployment shall have ceased, the standard of living shall be raised and there shall be many other ameliorations of the conditions of society due to the effect of the Single Tax.

"Progress and Poverty"

I SEE that the admirers and followers of Henry George are celebrating during their International Conference this week the fiftieth anniversary of the publication of his book "Progress and Poverty." It will be a surprise to nobody that the chairman of the American and other committees, is named Charles O'Connor Hennessy—an Irishman is bound to get in somewhere in any big forward movement, especially if it has its origin in America.

I knew Henry George pretty well, and indeed I met him at a time when he had already conquered most of his difficulties. He was not a man who had much presence, for he was rather short of stature; he had inherited from his days of abject poverty a certain shabbiness of dress, and altogether there was a contrast between the world-wide glory he was just attaining and the unpretentious exterior. Apart altogether from his doctrines, Henry George's book was a fascinating volume, written in perfectly pellucid and unpretentious English, and carrying the reader along on the tide of its simple eloquence. I think really it was the style of Henry George rather than his fundamental doctrine as to the Land Tax that accounted for the immense and continuous popularity of his book.

He was almost bullied by his enthusiastic followers to stand for the mayoralty of New York, and he had some fair chance of winning. But, as people anticipated, the exertion of such a strenuous campaign was more than his well-worn physique could stand, and he died suddenly in the middle of the fight. His delicacy of constitution was inherited by at least one member of his family: his son, who afterwards became a member of Congress, was a tiny but delightful boy; he remained a boy in appearance—and a delicate one at that—to the day of his early death.

There was another remarkable member of the family who, I am glad to say, still survives, Anna George deMille—for such is her name—was the guest of honor at one of the social gatherings which accompanied the conference. I hope to see her before she leaves this side. She, like her relatives, is tiny in stature, and she seems to have a

great deal of what the Irish call "cutting" in her, and, besides, is a very pretty woman. It was rather amusing to me to watch the different phases of her personality in the course of conversation—at one moment an enthusiastic apostle of the new land gospel, the next simply a very pretty and attractive woman. She is delightful in both capacities.—HON. T. P. O'CONNOR, M. P. in *London Times*.

Australian Resolution Cabled to the British Government

THE following Resolution passed by the Henry George League of Victoria at their monthly meeting on July 15th, 1929, and cable authorized for despatch to the British Government:

"Maintaining that tariffs are one of the causes promoting unemployment, high cost of living and international ill-feeling, we view with admiration the stated intention of the British Government to carry out the clearly expressed mandate of the electorate to discontinue the policy of protection existing in Great Britain.

"Asserting our right as Australians to frame our own domestic policy without let or hindrance by any nation or any part of the Empire we express displeasure and irritation at the undignified public utterances made in Australia with the object of inducing the British taxpayer to further support Australian industries already leaning too heavily upon the British and Australian consumers.

"We express the hope that the noble gesture made in the British Parliament will soon be translated into action and set a shining example to the Dominions and the world at large, for we feel that any attempt at economic welding will weaken existing ties that bind the Empire and lead to retaliation from other countries, whose cooperation and goodwill we strongly desire for the peace of the world and the wellbeing of mankind."

WE know a corner lot speculator who is fierce against dog race betting but believes he himself is a useful citizen when he acquires title to vacant land and holds it idle for a "rise" in the selling price.

—HOWARD M. HOLMES, in the *Ohio State Journal*.

WOMEN who are sincere in their efforts to better the home and living conditions cannot shun the extreme importance of the Single Tax teachings propounded by Henry George.—ANNA GEORGE DEMILLE at the Pittsburgh Conference.

IT is land monopoly which has dispossessed more than half of the inhabitants of every nation of their natural inheritance, without providing for them, as ought to have been done, an indemnification for that loss, and has thereby created a species of poverty and wretchedness that did not exist before.—THOMAS PAINE.